

EMPLOYEE HANDOUT/INFORMATION SHEET CIVIL SERVICE RETIREMENT SYSTEM (CSRS) OFFSET

The Social Security Amendments Act of 1983 mandated that Federal employees first hired after Dec 31, 1983, be subject to Social Security. Employees who are rehired after that date who meet certain conditions remain in the Civil Service Retirement System (CSRS), but are also subject to Social Security. The impact changed the Federal retirement system forever—no longer just covered or not covered—but a total re-look into “coverage”. We now have the Federal Employees Retirement System (FERS), CSRS Offset, and the old CSRS system. The CSRS system is a dying system for no new employees; that is, those first hired, can be placed in the full CSRS system.

You are placed under CSRS Offset if:

you were rehired in a covered position after a break in covered (CSRS) service of more than 365 days which ended on or after 01-01-84 and you had at least five (5) years of potentially creditable civilian service as of 12-31-86. (If you did not have five years as of 12-31-86, but had a break in service that ended after 12-31-86 and had at least five years of potentially creditable civilian service as of the last break and at least one day of CSRS covered service, you would also be subject to CSRS-Offset.)

OR

you were converted to a covered position on or after 01-01-84 and had at least five (5) years of potentially creditable civilian service as of 12-31-86.

OR

on 01-01-87 you were in CSRS Interim and had at least five years of potentially creditable civilian service as of 12-31-86.

Covered employees with a break in service of four days or more are given a 6-month election to remain under the CSRS Offset plan or transfer to FERS.

If you are covered by CSRS Offset, you pay into the CSRS retirement fund and Social Security. Your contribution to the retirement system is very little, .80%, when compared to that of employees covered under regular CSRS who pay 7%. You also pay 6.2%

Social Security Old Age, Survivors and Disability Insurance (OASDI) taxes. Your total deduction for CSRS and OASDI is essentially the amount equivalent to the amount you would have paid into the CSRS retirement fund, had you been covered as a regular CSRS employee.

At retirement your benefits are computed in the same manner as any regular CSRS employee. The full CSRS annuity benefits are paid -- until age 62, when you become eligible for Social Security. At age 62 your CSRS retirement benefits are recomputed to take into account the years of service you were covered under CSRS Interim/Offset. Your CSRS annuity is then permanently reduced (offset) by that portion of the Social Security retirement benefit that is attributable to the period of time covered by CSRS Interim/Offset. While the law permits CSRS Offset employees to take advantage of CSRS and Social Security, it does not allow full advantage of both; hence the reduction or offset to the CSRS annuity, at age 62. However, there is no reduction in your Social Security benefit based on the CSRS Offset service. (The Windfall Elimination Provision may apply if you have less than 30 years of substantial earnings subject to Social Security withholdings.)

If you are entitled to receive Social Security retirement benefits, but never apply, the offset to your CSRS annuity will occur at age 62 anyway. This reduction to your CSRS annuity cannot exceed the amount of your full Social Security retirement benefit multiplied by the ratio of the number of years of offset service divided by 40. In most cases, if you never achieve entitlement to Social Security retirement benefits (e.g., you never attain 40 quarters of credits/quarters of coverage), then there is no offset to your CSRS annuity -- at any time.

There are advantages and disadvantages to remaining under the CSRS Offset plan. As stated earlier, under the Offset plan you are entitled to full CSRS benefits until age 62; yet, in actuality, you pay very little into the CSRS retirement fund. In almost all cases it is expected that you will earn more in Social Security retirement benefits than the amount deducted from your CSRS annuity. Additionally, you are exempt from the Government Pension Offset under Social Security. On the other hand, under the Offset plan, you are NOT eligible for the more liberal retirement eligibility requirements of FERS, that is minimum retirement age (MRA) + 10, and you receive no government matching funds or 1% automatic contribution toward your Thrift Savings Plan.

***Example of how the offset is determined:
(Employee with few years of CSRS Offset service)***

CSRS monthly annuity before the offset = \$800

Total CSRS Offset service = 3 years and 8 months

Social Security payments per month = \$350

Social Security per month attributable to Offset service = \$25

The offset is the ***lesser*** of Social Security earnings attributable to Offset service, which in this case is \$25, ***or the total Social Security benefit multiplied by a fraction equaling the nearest whole number of interim/offset years divided by 40.*** In this case 3 years and 8 months is rounded up to the nearest whole number of years, which is 4 years divided by 40 = 10%.

$$\frac{4}{40} = 10\%$$

10% x \$350 = \$35 compared to \$25 Social Security attributable to CSRS Offset service. Since \$25 is the lesser, this is the amount of the offset.

CSRS monthly annuity before offset:	\$ 800
Offset amount:	<u>- 25</u>
CSRS monthly annuity after offset:	\$ 775
Social Security monthly payment:	<u>+ 350</u>
CSRS Offset & Social Security:	\$1,125

***Example of how the offset is determined:
(Employee with many years of CSRS Offset service)***

CSRS monthly annuity before the offset = \$1,100

Total CSRS Offset service = 33 years and 3 months

Social Security payments per month = \$850

Social Security per month attributable to Offset service = \$800

The offset is the *lesser* of Social Security earnings attributable to Offset service, which in this case is \$800, *or the total Social Security benefit multiplied by a fraction equaling the nearest whole number of interim/offset years divided by 40.* In this case 33 years and 3 months is rounded up to the nearest whole number of years, which is 33 years divided by 40 = 10%.

$$\frac{33}{40} = 82.5\%$$

82.5% x \$850 = \$701.25 compared to \$800 Social Security attributable to CSRS Offset service. Since \$701.25 is the lesser, this is the amount of the offset.

CSRS monthly annuity before offset:	\$1,100
Offset amount:	<u>- 701</u>
CSRS monthly annuity after offset:	\$ 399
Social Security monthly payment:	<u>+ 850</u>
CSRS Offset & Social Security:	\$1,249